



DEPARTMENT OF INSURANCE
STATE OF ARIZONA
Financial Affairs Division – Trust Deposit Unit
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**INSTRUCTIONS FOR WORKERS' COMPENSATION DEPOSIT AND
ANNUAL ARIZONA SPECIAL SCHEDULE P FILING**

Workers' Compensation Insurance Deposit Requirement: A.R.S. § 23-961(D) states:

The director of insurance shall not issue to an insurance carrier a certificate of authority that authorizes the insurance carrier to transact workers' compensation insurance until the insurer deposits with the state treasurer, through the director of insurance, cash or securities. The amount of cash or securities required under this subsection shall be at least equal to the **greater of** the following amounts:

1. One hundred thousand (\$100,000) dollars.
2. The sum of subdivisions (a) and (b) of this paragraph less credits for approved reinsurance computed as of the preceding December 31 for workers' compensation insurance written subject to the laws of this state:
 - a. The aggregate of the present values at six percent (6%) interest of the determined and estimated future direct reported loss and loss expense payments on compensation claims incurred more than three (3) years immediately before the preceding December 31.
 - b. The aggregate of the amounts determined for each of the three (3) years immediately before the preceding December 31 which equals the greater of the following:
 - i. Sixty-five percent (65%) of the earned premiums for the year less all direct reported loss and loss expense payments made on compensation claims incurred in the corresponding year.
 - ii. The present value at six percent (6%) interest of the determined and estimated future direct reported loss and loss expense payments on compensation claims incurred in that year.

A.R.S. § 23-961(G) states "Cash or securities deposited pursuant to this section **are subject to approval by the director of insurance at all times.**" Workers' compensation deposits that are comprised of marketable securities are required maintain an **Account Value** equal to or greater than the required Minimum Account Balance (MAB) amount, in accordance with the provisions of Insurance Company Custody Agreement Form E003.

Annual Filings: Arizona Special Schedule P Form E478 and Form EWCA

A. Annual Reporting Requirements:

1. Workers' compensation insurers must annually calculate their deposit requirement by completing and filing the most current edition of Form E478 and Form EWCA. Check the lower left corner of the Forms for a current year revision date, as outdated editions will not be accepted.

Actuarial analysis and supporting documentation must be provided to support factors other than those prescribed in Column 5 of Form E478.

When a negative figure results in Parts I, II, or III of Form E478, convert the figure to zero (0) prior to entering a total in columns six (6)(A) and (B) and nine (9)(C) before computing the deposit required.

The total deposit required must equal the current **ACCOUNT VALUE** (as defined in the Insurance Company Custody Agreement For E-003) of the insurer's workers' compensation deposit account at Wachovia Bank, N.A. as custodian for the Arizona State Treasurer, the total of all assigned Certificate(s) of Deposit held by the Arizona State Treasurer, or the combination thereof.

2. **Form EWCA** must be completed for amounts payable on Arizona compensation unpaid losses and loss expenses **assumed** from each insurer for each year reported.

B. Due Date: The Form E478 and Form EWCA filings are due annually by **April 15th**. The Department will expedite review of all filings that show a deposit deficiency. See Form EXSAPP for prior approval requirements and procedures to reduce a current deposit.

C. Mail all Forms to: "Attention: Trust Deposit Unit" at the address shown above.

DO NOT file Form E478 or Form EWCA with the Insurer's Annual Statement.